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FINAL REPORT

USAID/OMNIMAX

Fiscal Administration Project

April 27, 1990

OMNIMAX INTERNATIONAL, INC.

OMNIMAX INTERNATIONAL, INC.

218 Atkinson Sq. Bldg.
3901 Atkinson Drive
Louisville, KY 40218

April 25, 1990

Mr. Frank Almaguer
USAID/ECUADOR
APO Miami 34039

Dear Mr. Almaguer:

This letter transmits our final report on the USAID/OMNIMAX INTERNATIONAL, INC. Tax Administration Advisory project in Ecuador.

Specific details of progress and problems were reported to the Mission in our semi-annual reports to you, and in the two independent project evaluations required by USAID and completed. The enclosed report is essentially a summary of the salient points in those documents; i.e. what progress has been made toward planned objectives, and more specifically, what were the project's successes and failures.

Despite the fact that some primary objectives were not attained, we believe that most project proposals were substantially reached or exceeded. On balance, we feel the project was a definite plus for Tax Administration in Ecuador.

As you know we dealt with five different Ministers of Finance during the life of the project; there was a long delay caused by the Government's failure to approve and install the new reorganization; and the GOE's refusal to honor USAID's tax exemption on imported grant commodities created a costly delay (this issue was satisfactorily resolved during your administration); and USAID's understandable curtailment of project funds until the import tax issue was rectified. There were other impediments but these were perhaps the most significant.

Continued

Mr. Frank Almaguer
USAID/ECUADOR
APO Miami 34039

Despite problems, definite progress has been made from the initial base. Perhaps the most comprehensive reorganization of a tax administration system ever proposed in Latin America is installed and functioning, though admittedly, not at the optimum level; tax collections over the life of the project have far exceeded our goals; training targets were more than met. Other successes and failures are noted in our report.

We are grateful to you, personally. Whenever we approached your office with our requests, problems and suggestions, we have always felt we had a fair and attentive audience. We also found the contracting officer, Mr. Dunlap, to be firm, but fair, in questions relating to the contract. In short, we have no complaints on our dealings with USAID/Ecuador.


This was an extremely ambitious project. We staffed it at the beginning with some of the most experienced, successful and able persons in the field of Tax Administration. There is probably no other person in the world with more successful, hands-on, experience in tax administration than Bill Newnam, who was primarily responsible for our project design, and who was also our first chief-of-party. The other advisors in that group also had many years of successful on-site experience in developing countries, several of them as managers of projects.

We were all too optimistic. With hindsight we feel this project should have been scheduled for six to eight years rather than four. I believe the independent evaluators would agree with this.

Nevertheless, as stated, many important objectives were reached and the base is now installed for what we hope will be a successful effort by BID/CIAT to deal with ongoing political and administrative problems in the light of the new Tax Reform law.

Again, I thank you for your cooperation and wish you and our successors well in your joint endeavor to improve the lives of the Ecuadorean people through a continually improving Fiscal System.

Sincerely,



William B. Flaherty
President

OMNIMAX INTERNATIONAL, INC.

WBF:kw

FINAL REPORT

USAID/OMNIMAX
Fiscal Administration Project
Omnimax International, Inc.
Contract No. 518-0036-C-00-5063-00

April 27, 1990

- I Substantive Part
- II Administrative Part

Submitted to:
Mr. Frank Almaguer,
Director
USAID/QUITO

Submitted by:
William B. Flaherty
President
OMNIMAX INTERNATIONAL, INC.

I. Substantive Part

A. General Summary

The tax project was launched in 1985 with the enthusiastic endorsement of all participants - USAID, the Government and the Contractor. As implementation got underway, a highly successful result was anticipated, particularly in view of the fact that many of the officials involved in the project design were still in key positions and would be in the forefront of the implementation process. Initial impetus for such a massive endeavor came from the former national Government as a result of the highly successful pilot project designed in 1983 and conducted in 1984. The new Minister of Finance of the new Government that assumed office in August 1984 endorsed continuation of the pilot project and the development of the new four-year program. The new administration's Director General of Revenue also ostensibly supported the project. Nevertheless, the project did not fulfill the high hopes held for it when it was designed and later when implementation was begun.

Within the early first months of implementation, forward motion of the project was significant. Strategies and plans were adopted by the DGR, initial development in all principal functional areas was completed and a proposed reorganization of the DGR, adopting the principles outlined in the project paper, was endorsed by the Director General and submitted to the Minister of Finance for approval. The latter occurred in February 1986 just six months after arrival of the company's Chief of Party. The proposed reorganization was accompanied by an implementation plan and all that was lacking for implementation to proceed was the minister's signed approval of the proposal.

However, Omnimax International soon found itself reporting to USAID, Ecuador the following (as of the end of September, 1986):

"The six months period just completed presents a picture with mixed project results. On the one hand, progress has continued in the revenue production areas, although even these not at the pace originally planned. On the other hand, much of the institutional development centered around implementation of an approved reorganization of the Direccion General de Rentas has fallen behind."

"The optimistic picture presented at the closure of the period of the last report (March 31, 1986) was changed considerably during the early months of the ensuing period. Delay in approval of the proposed reorganization and turnover in Ministerial officials were the culprits behind the changed situation. In April, the Director General was reassigned as Sub-secretario de Administracion in the Ministry of Finance and the Chief of Audit was reassigned as Director General. On June 5, the Minister of Finance resigned and subsequently a new Minister, Dr. Alberto Dahik was named. The latter, an outstanding young economist, lasted approximately three months when on the evening of September 21 he was politically removed from office by the Congressional majority in opposition to the President. A new Minister has not yet been named."

Dr. Dahik, the deposed Minister of Finance, had appointed what appeared to be an outstanding top management team in the D.G.R., composed of

present time frame of the project. Also, while it is likely that the reorganization will be fully implemented within the project's time period, it is unlikely that it will be as firmly entrenched as desired, with all elements of the new organization functioning at optimum levels. We are approximately one year behind where we had hoped to be in both efforts. Prior reports and this one provide the reasons for this situation, but simply put it derives from the failure of the government of Ecuador to focus adequate attention and support to meeting project objectives on a more timely basis."

The mid-term evaluation of the project conducted a few months later, July/August, 1987, by Development Associates, Inc., essentially confirmed the above report. Reference to the report of the Evaluation Team will provide its reasons for why the team felt this condition prevailed. However, we would like to include the following quote from the Evaluation Team's report:

"The general advisory support under the project is the responsibility of the Contractor, who agreed to furnish a full-time chief of party, short-term advisors as required and a local administrative assistant to provide logistic and administrative services."

"The Contractor has performed well in this area providing not only the staff specified under this project element, but specialized staff for other project elements. Approximately four full-time staff members (including party chief) have been in-country

throughout the first two years of the project. The Contractor and staff are located in the DGR offices, they have established an easy working relationship with their local counterparts and have the full confidence of the Director General and his staff."

"The Chief of Party has been able to provide excellent general advisory support for the project. While the present Chief of Party is about to depart after a two year tour, he is being replaced in a timely fashion by another experienced tax advisor. So it is to be expected that the general high level of general support provided by the Contractor will continue."

We believe the high level of advisory support was continued. However, introducing the desired reforms continued to be difficult.

The reorganization, which had finally been approved in October, 1986, continued to be staffed in an "acting" capacity, with adequate authority needed to fully implement withheld. Even after the massive investment that had been made in training courses and constant seminars covering the concept of the new organization and the new management duties entailed, reluctance to proceed in the new mode continued. Practical support at the Ministry level to ensure the functioning of the new organization was not forthcoming. Limitations of space were discussed and plans for new acquisitions were made, but action was not taken. After the removal of Dr. Dahik as Minister of Finance, several changes in Ministers were made, although the same director General was maintained in office until the change in administration in August of 1988. This further eroded MOF understanding and support.

Many programs that had been implemented during the first two years of the project began to languish. The earthquake in March of 1987 served as an impetus or excuse to slow down in the delinquent returns program that had been implemented and was never able to get reconstituted to its former level. Procedural manuals prepared by the new national functional staffs, to a large extent, were not issued to the regional offices created under the reorganization. Procurement problems persisted (see the Mid-term Evaluation report). While progress continued to be made in various areas, the effort for the balance of the Febres Cordero administration was one of constant prodding to get the organization fully implemented and to get planned programs implemented. Much of the problem seems to be a result of a lack of will to get the job done at the Direccion General de Rentas aided and abetted by very weak support at the Ministry level. This has been confirmed by the final evaluation of the project conducted in June/July, 1989.

With the advent of the new government, with a year remaining in the project, the Government's emphasis shifted to implementing tax law reform, utilizing short-term assistance from Colombia, Spain and the Inter-American Bank, and to reinitiating implementation of a slightly revised version of the reorganization. The new tax law made a major impact on the way collections were to be made, utilizing the banks for collection, which affects the original concept of returns processing in the Regional Offices.

We are disappointed in the results achieved during the life of the project. We are proud of past achievements in our advisory efforts and chagrined that the great hopes we were lead to have were not fulfilled. Our desire was to make a show case of tax administration in Ecuador. We honestly

(and perhaps, naively) thought it to be possible. As a result of the highly successful pilot project (participated in by our first chief of party in the present project), we felt the assumptions built into the project design to be realistic. They were not. Specifically, two vital assumptions that were made as a requirement for a truly successful project can be cited: (a) There is a minimal personal turnover at managerial, supervisory, and operational levels of DGR during the project and (b) Training is effective in changing attitudes and improving skills of managers and operating personnel. An additional assumption should have been that political influence would be removed from the DGR.

The project, however did produce some salutary results. Collections were dramatically increased; a professional delinquent collections corps, something that had never existed before, was established; an advanced organization for the DGR was installed, albeit not fully implemented; some major improvements in automatic data processing were introduced; and some attitudinal changes were achieved in the management personnel of the DGR, while not to the degree hoped for perhaps a base for the future has been established.

A. Achievement of Objectives

1. Project Goal: Increase Central Government Fiscal Revenues, with a target of a "net increase in non-petroleum (principally income and sales) tax revenues of S/. 25 billion over the 4 1/2 year life of the project (above and beyond what would have been collected in the absence of the project)."

There seems to have been some unfortunate misunderstanding as to how this goal is computed. This was brought out in the report of the final evaluation conducted in June/July, 1989. Nevertheless, completion of this goal by the end of 1988 was confirmed by the Evaluation Team, which as of that time showed net additional revenues of S/. 35.5 billion or S/. 10 billion over goal.

A few words perhaps will clear up the confusion as to the meaning of the goal and its computation. Our former Chief of Party, (who participated in the design phase of the project) tells us the following: Assuming no economic growth, (that is, nothing extraneous to measuring the goal as the results of tax administration improvement), a 30% increase over the base year in constant sucres was assumed for the last year of the project. Achieving this on a slowly rising curve over four years resulted in an estimate of a return from tax administration improvement of S/. 17.21 billion. The USAID economist added in various growth models (see appendix of Project Paper). Apparently the one selected by the Mission at that time was the one that approximated the goal of S/. 25 billion. Thus the S/. 17.21 was the goal to be achieved to represent collections "above and beyond what would have been expected in the absence of the Project" without economic growth and the S/. 25 billion was the goal actually established, including the economic growth factor of the model selected from the Project Paper appendix. In Omnimax International's bid on the project the no growth figure was shown, with the indication that should growth occur as indicated in the model the project goal should be attainable.

Revenue Administration

1. Improved Collections System
2. Improved Returns Filing Compliance System

Under the reorganization, these two functions were combined. The concept was to create a professional corps, which had never existed before, to follow-up on the collection of delinquent accounts and for that corps to also assume responsibility for the follow-up on noncompliance of tax returns filing. The latter responsibility had formerly been part of the Audit function where it had not been given adequate attention. Although the reorganization was not approved until well over a year after inception of the project, the two functional areas were informally combined very early in the project in order not to delay implementation of programs in these two important functional areas. Since the one professional corps (whose members were later designated as Revenue Agents) was to perform in both functional areas it was essential that the corps be recruited and developed accordingly.

Progress in establishing the new operating corps was rapid. Immediately, job descriptions were prepared and recruitment undertaken; training was given and operations were quickly begun in securing collections from delinquent accounts. The initial recruitment was for 50 agents (for both functions), which was to be increased later as both functions expended. While the expansion did not occur as rapidly as originally hoped, an additional 20 were hired in 1987 and subsequently an additional 110 were transferred from other sections of the DGR to be trained as revenue agents.

The target for the combined functions which was 70 agents in the professional corps was far exceeded with a current strength of 180 revenue agents.

Collections continued high throughout the project. Even in later years of the project this can be seen in the rise of collections from S/. .58 billion in 1987 to S/. 1.1 billion in 1988. The goal of achieving a value of delinquent accounts inventory of not more than 10% of annual tax receipts would appear not to have been met since it is shown as having achieved a level of only 18%. However, we believe a breakdown in the analysis of collections reporting which segregated delinquent accounts from those accounts that have not yet become delinquent must have occurred. "Titulos de credito" are issued on all unpaid accounts, with a period allowed for payment before they become delinquent. It is the latter that the goal target was predicated on not the total "titulo de credito" inventory.

At the end of 1986 the delinquent accounts inventory was reported at 14% of total tax receipts for the year and the 1987 the percentage had fallen to 12.5%. With collections continuing at the high rate previously established, it is not reasonable to expect the inventory percentage level to have moved back up. We, therefore, believe a fair conclusion is that the target for inventory reduction has substantially been met.

The situation in the returns compliance area is another story. While the goal for achieving an effective professional corps to function in this area was achieved, the target to increase the number of global income tax and sales tax filers by 5% and 100% was not.

Very early in the project, and once the new corps had got underway in the collection of delinquent accounts, a comprehensive strategy was developed to confront the delinquent filing problems. The plan was to begin with a stop-filers program for sales tax returns, to be immediately followed up with a program for seeking out nonfilers by matching the names on the taxpayers register with the file of sales tax filers that had previously been constructed from current filers. These two programs were to have, not only the effect of increasing the number of filers of sales tax returns, but also would purge the taxpayer register of inaccurate data.

Subsequently, a program for seeking out nonfilers of withholding and income tax returns was to go into effect after the program for sales tax compliance had had a major impact in reducing noncompliance in that area. It was estimated that approximately a little more than a year after the sales tax program was introduced, if vigorously pursued, the withholding and income tax returns filing compliance programs could be implemented. This particular strategy was deemed appropriate since the file of current sales tax filers (which had recently been established) was accurate and because filing noncompliance in sales tax was extremely high and offered the potential for very good results. However, this grand strategy was not to be.

The initial stop-filers program was developed by April of 1986, but was delayed in its implementation until August. Later in the year it was expanded to include the program for seeking out registered businesses, using the cross check with the taxpayer register. Results were spotty and not at all what was expected. The master file appeared to have some serious inadequacies, but above all the main deficiencies were really the weaknesses

in management at the operating level (which, incidentally, is not limited to this functional area but is endemic throughout the DGR). It is difficult to conclude other than that movement from old methods to the new was never accepted by the personnel performing the function. This seems to be confirmed by what occurred after the earthquake of March 1987. As a result an across the board sweep of canvass type programs were put into effect that to our knowledge produced little or nothing in the way of additional receipts or in increased taxpayer compliance. It was hoped that when the dust figuratively had settled from the earthquake, a return to the original strategy would occur. Unfortunately, while some canvassing continued, this return never occurred and the balance of the project in this area was a struggle to recover.

3. Improved Audit System

All Audit management and supervisory personnel were given management training through training courses in Ecuador and abroad, supplemented by many management seminars. Also a locally developed technical course was given to 237 auditors, meeting the target of training 100 auditors, unfortunately the only target met in this functional area. Despite this

extensive training effort, little change in attitude of the personnel of this function occurred. Presumably, vested interests were too strong to overcome. Our first Audit Advisor lasted eight months before leaving with a serious case of stomach ulcers.

Early in the project, programs for introducing limited audits were installed using data secured from information returns. A Program for rapid

auditing of referrals from the revenue agents was also implemented. Both these programs would have increased audit coverage and as a result would have dramatically increased the number of taxpayers audited. They withered and died and no amount of prodding could get them going again. This is just not the way the auditors want to do auditing in Ecuador.

An improved time and case reporting system was installed, which would provide management with the management information needed to properly manage audit programs and to design better classification and selection of returns for audit. The system was never effectively operated.

An Office Audit function and program was developed, but never installed. Attempts to get attention directed to special audit programs for businesses filing sales tax returns were unsuccessful.

Efforts shifted later in the project to the national office level of the Audit Function to push for implementation of all these programs. While some procedural manuals were developed, the desired operating programs were still not implemented.

There were some initial increases in audit production, though not traceable to any specific program implementation. The technical and management training plus the constant prodding must have had some impact. It appears not to have been lasting. While production increased from 3445 audits in 1984 to 5974 audits in 1986, it declined after that to 4378 in 1988.

1. Reorganization of the Direccion General de Rentas

The reorganization of the DGR was a key element of the project. Therefore, action was taken immediately upon arrival of the advisory team to get the reorganization process underway. After a period of several months, a study, participated in by key officials of the DGR was concluded and submitted to the Minister of Finance in February, 1986, along with a proposed Ministerial Agreement, for his approval.

The study included an implementation plan with five stages to be completed over a two-year period, and involved intensive training in management principles and techniques, motivational seminars and specifics for detailed development at each stage of implementation. The proposed organization provided the structure to accomplish the project goal for this element of the project and would achieve the following objectives:

- Clear separation of national management from operational activities.
- Clear definition and separation of the principal functions of tax administration.
- An appropriate decentralization of operations.
- A well developed system of functional management.

A plan for acquisition of furniture and equipment for the first two phases of the reorganization was also developed at that time.

Unfortunately, the proposal languished in the Ministry of Finance for many months and had a negative impact on many other areas of the project. This was not an inactive period for the advisors, however, for it involved much effort in attempting to get Ministry action, and a complete review and new effort to convince the new Ministry and DGR team when it took over in June.

The reorganization was finally approved in October, 1986, after which renewed vigor was seen in its implementation. Over a period of several months the 1st phase, which involved the establishment of the new national office level, was implemented. By mid-point in the project, the new organization was basically installed with a functional National Office and a decentralized regional structure, although all regions, while having key managers in place, were not fully staffed in all functional areas.

Some serious limitations continued: key staffing continued in an "acting" capacity due to the Ministry's reluctance to approve permanent appointments, the manual processing departments continued operating in parallel, and the new management personnel persisted in functioning under obsolete concepts of management despite massive efforts to inculcate modern management methods by means of many seminars, special meetings, day to day follow up and the attendance of management courses given in the United States by the United States Internal Revenue Service. Much of the continuing efforts of the project in this area were directed to eliminating these limitations.

Further delays persisted in securing computer equipment when the GOE failed to facilitate customs clearance for equipment ordered under the project, which delayed the full decentralization of the Processing Function. Without the computer equipment, the full decentralization could never be a reality. However, much of the rationale for the reorganization would still exist, even were decentralization of computer processing not contemplated.

The full computerization of the DGR was premised on the reorganization, but the reorganization was not premised on fully decentralized computerization. For example, we could have had the reorganization, substantially as planned but with some adjustments, but getting the planned decentralized computer system to function would have been impossible without the accompanying reorganization. However, with centralized computer processing most of the reorganization as originally conceived would still be needed. We make this point since some confusion seems to have crept into the thinking of the DGR and was reflected in the report of the final project evaluation. To elucidate further, there are some parts of manual processing that can be decentralized and to the extent they are, the concept of the reorganization is strengthened and further entrenched and the regions would have been better prepared to receive the mechanization when it were to come. And, even without the full decentralization, tax administration in Ecuador would be better off having reorganized along the lines implemented.

The somewhat different approach adopted by the new Government has changed somewhat the requirements for regional processing as contemplated in the original organizational design. However, along the lines of the above comments, the functional management and decentralized structure, although not

fully implemented at the end of the project, will leave the DGR in a good position to accommodate the future evolution of tax administration in Ecuador. The principal challenge will be to adopt an improved management style that will make effective tax administration a reality.

The training goal of training 60 managers was exceeded with 34 managers attending seminars on functional management, 22 managers and staff personnel trained in organization and methods, and 35 supervisors trained in a 50 hour management course. Also, 52 top and mid-level managers were trained at a 4 week IRS seminar in the United States and 32 were trained in CIAT in Panama, slightly short of the goal of training 110 managers.

2. Restructured Processing System

Major obstacles slowed down implementing the decentralized computer system contemplated in the project design.

Resistance to change existed throughout the life of the project, at first and continuously within the Ministry of Finance's Computer Center (Direccion de Organizacion y Sistemas, known as DOS) which did all processing for the DGR and resisted losing its processing work to the DGR, and then within the DGR which would not move to decentralize processing to the regions even within the limits of available equipment. Later when the new Government came in, with the adoption of bank processing, control once more passed back to a large extent, to the Ministry. While the bank processing of collections has attractive features, which were not fully possible before the advent of the present Ministry support, it nevertheless did introduce a radical shift in project direction late in the life of the project.

Delays in securing computer equipment were endemic. During the lengthy delay in getting the reorganization approved, a provision of the Project Agreement triggered a hold-up on procurement action under the project. Later, further delays were encountered when the GOE failed to facilitate customs clearance for equipment ordered under the project, which was finally resolved after the new Government took office.

Some amounts of equipment allowed some limited processing and case control at the National Office level and permitted establishment of a new computerized processing system for the teller operations in two different regional collection offices. Computer equipment was provided to help the initial implementation of the new bank collection reform introduced by the new Government.

Sales tax returns were processed throughout the project period in the DGR on a mini computer installed as a result of the former pilot project. Early in the project, all sales tax returns processing was transferred from the Ministry Computer Center (DOS) and this served to provide some data for enforcement programs.

Extensive efforts were made in getting adequate staffing approved and in recruiting and training. Considerable systems development was completed and a comprehensive systems design was approved at all interested levels of the Government and by USAID/Ecuador. However, for the reasons indicated above, the system did not proceed to implementation. While awaiting resolution of the problems delaying implementation, much effort was directed to computerizing teller collections in field offices with the limited amount

of AT computers which had managed to be procured. This would have tied into the large system had it reached the implementation stage.

It is difficult to depict the many ramifications and problems encountered over the four year period of the project. In retrospect, we see the project design as too ambitious in the extreme. Knowing what we have known about this kind of effort we were naive to think otherwise. Again, the pilot project experience was misleading. We have to conclude, however, that the goals and targets for this functional area were not achieved. After our experience of the past four years, we are not sanguine that they could be achieved in even a considerably longer period.

3. Professional Inspection Service

The target of having a functioning professional inspection service operation on a regular basis has essentially been achieved.

The organizational unit for this function was established in March, 1987 and has been fully operational since January, 1988. Technical assistance was given to the initiation of this function as part of the general reorganization process and subsequently by assignment of a short-term advisor for that specific purpose. A procedural manual for the function was developed and work plans were established.

At first, support for acting on the results of investigations were weak. In the Ecuadorian environment, taking disciplinary action in cases involving questionable or fraudulent conduct requires great courage. However,

after the change of government in August, 1988, this has changed with strong support for positive action being evidenced within the Ministry of Finance. The degree to which this will continue on a long-range basis only the future will tell.

4. Public Relations Program

Public relations on tax matters has always been the responsibility of the Ministry of Finance. The hope was to have delegated necessary authority to the DGR to perform this function. As part of the reorganization a Department of Information was established in 1987 and is functioning. However, its role has been limited to primarily a technical function and serving as a conduit of the DGR's public information needs to the MOF's office of public relations.

It appears that it is unlikely that adequate delegation of authority will be made to the DGR's Department of Information. However, the latter can continue to play a significant role in its collaboration with the MOF in providing its information needs and in participating with the MOF in helping to meet these needs.

II ADMINISTRATIVE PART

OMNIMAX INTERNATIONAL, INC.
FINANCIAL REPORT OF EXPENDITURES
CONTRACT NO. 518-0036-C-00-5063-00

The amount expended by Omnimax International Inc. was \$2,802,959.86. The amount claimed was \$2,799,556.00, not including \$10,000.00 severance pay to Armando Friere, paid 2/21/90, and 3,000,000 sucres to be paid to Anita Mejia. Both these expenditures are dealt with under separate submission.

Expenditure	\$2,802,959.86
Disallowed by Aid	<u>2,234.77</u>
	\$2,800,725.09
Expenses not claimed	<u>1,169.09</u>
Charged to Project	\$2,799,556.00

The expenses and budgeted amounts are listed below:

Category	Budget Amount	Project Expenditure	Difference
<u>Charged</u>			
Salaries and Wages	\$1,545,775.00	\$1,602,448.39	\$(56,673.39)
Fringe Benefits	137,000.00	155,645.21	(18,645.21)
Administrative Costs	54,685.00	54,031.84	653.16
Diff. & Allowances	355,540.00	334,096.14	21,443.86
Travel and Transp.	350,021.00	314,599.03	35,421.97
Other Direct Costs	102,030.00	84,230.39	17,799.61
Profit or Fee	<u>254,505.00</u>	<u>254,505.00</u>	<u>-0-</u>
Total	\$2,799,556.00	\$2,799,556.00	-0-

All expenses are within the marginal permissible differential allowance.

Salaries & Wages were \$57,673.39 over budget due to project extension from July, 1989 to February, 1990.

Fringe benefits were \$18,645.21 over due to unanticipated workmen's compensation insurance rates, as explained to and approved by Mike Snyder, Regional Contract Officer.

Administrative Cost were on target, under budget by \$653.16

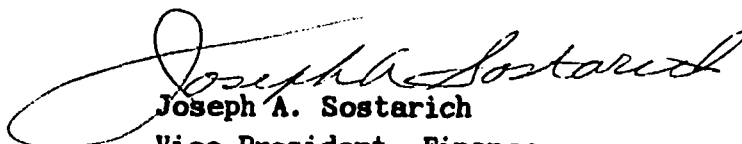
Differences & Allowances were \$21,443.86 under budget due to use of more TDYs vs. permanent employees.

Travel & Transportation was under budget by \$35,421.97 for the same reason.

Other Direct Costs were under \$17,799.61 due to less use of direct cost items, such as consultants.

The total expended amount was very close to budget, Omnimax International Inc. absorbing project expense of \$3,403.86 not reimbursed/claimed.

Certified Correct:

A handwritten signature in cursive script, reading "Joseph A. Sostarich".

Joseph A. Sostarich
Vice President, Finance
OMNIMAX INTERNATIONAL, INC.

Utilization of Project Advisory Hours

<u>Category</u>	<u>Months</u> <u>Per Project</u> <u>Proposal</u>	<u>Actual</u> <u>Months</u>	<u>Actual</u> <u>% of</u> <u>Proposal</u>
<u>Long Term Advisors</u>			
Chief of Party	48.0	56.0	
Processing	48.0	50.5	
Collection/Returns Compliance	48.0	40.0	
Audit	48.0	42.5	
Total	<u>192.0</u>	<u>189.0</u>	98.4%
<u>Short Term Advisors</u>			
Training	9.0	9.3	
Inspection	6.0	2.0	
Collection/Returns Compliance	9.0	10.8	
Audit	6.0	5.5	
Processing (Systems)	6.0	4.9	
Management	3.0	.5	
Other	6.0	3.0	
Total	<u>45.0</u>	* <u>36.0</u>	80.0%

* - Additional hours Proposed by Omnimax for 5 months extension
(8/1/89 to 12/31/89):

<u>Long Term</u>	
Chief of Party	<u>5.0</u>
<u>Short Term</u>	
Collection	2.0
Computer Programmer (Other)	3.0
Systems Advisor	<u>4.5</u>
Total	<u>9.5</u>

Although Proposed Budget was approved by USAID, only 5.0 months for Chief of Party and 1.0 for Systems were authorized for actual advisory service, and are included in above totals. 8.5 months of the short term advisors were not approved by USAID. Had the latter been approved, the short term total would have been increased to 44.5 months, or 99.9% of the 45 months budgeted per project proposal. The project was subsequently extended for an additional two months.

Summary of Local Hire and Home Office Hours

<u>*Local Hire Support</u>	<u>Total Months</u>
Administrative and Clerical	<u>105.25</u>
 <u>*Home Office Support</u>	
Executive and Managerial	41.3
Administrative and Clerical	<u>49.1</u>
Total Months	<u>90.4</u>

*All figures brought forward from cumulative months reported on last semi annual report, covering accumulated months through 3/31/89.